

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Telephone Company-Cable Television
Cross Ownership Rules,
Sections 63.54-63.58

and

Amendments of Parts 32, 36, 61,
64, and 69 of the Commission's
Rules to Establish and Implement
Regulatory Procedures for
Video Dialtone Service

CC Docket No. 87-266

RM - 8221

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OFFICE OF SECRETARY

**REPLY OF THE CONSUMER ELECTRONICS GROUP
OF THE ELECTRONIC INDUSTRIES ASSOCIATION**

The Consumer Electronics Group of the Electronic Industries Association ("EIA/CEG") hereby replies to the comments that were filed in the above-captioned proceeding on December 16, 1994. In its initial comments, EIA/CEG urged the Commission not to mandate all-digital transmission for video dialtone service because to do so would require consumers to obtain otherwise unnecessary set-top converters and would place video dialtone service at a competitive disadvantage vis-a-vis cable. Additionally, EIA/CEG urged the Commission to ensure that video dialtone transmission is compatible with the Decoder Interface now being developed in the Cable Compatibility proceeding.

THE COMMENTING PARTIES AGREE THAT THE COMMISSION SHOULD NOT MANDATE ALL-DIGITAL TRANSMISSION FOR VIDEO DIALTONE.

All of the commenting parties responding to the Commission's inquiry regarding transmission standards agree that the Commission should not mandate all-digital transmission for video dialtone services. Southwestern Bell, for example, noted that, because of the high price of digital set-top converters and digital modulation, "implementing the [all-digital] plan does not make economic sense today."¹ GTE expressed similar views. It observed that the high cost of digital set-top converters means that many customers "will continue to rely on the receipt of analog signals in the near term."² Mandating the use of higher cost digital technology would serve no purpose other than to put video dialtone at a distinct competitive disadvantage vis-a-vis cable.

EIA/CEG advanced similar arguments. It also pointed out that set-top converters would have a disruptive effect on the ability of consumers to use the features and functions of their television receivers. EIA/CEG therefore urged the Commission to allow market forces to determine the extent to which digital transmission is used in the provision of video dialtone service. AT&T, Compaq and Southwestern Bell agreed that market forces are the best means of addressing the use of digital transmission.³ Consistent with these comments, the Commission should not adopt an all-digital transmission requirement.

¹ Southwestern Bell Corporation Comments at 4.

² GTE Service Corporation Comments at 9.

³ AT&T Corp. Comments at 5; Southwestern Bell Corporation Comments at 4 n.8; and Compaq Computer Corporation Comments at 3 n.6.

THE COMMISSION SHOULD CONTINUE TO APPLY ITS EXISTING UNBUNDLING RULES TO VIDEO DIALTONE SERVICE.

In a footnote, AT&T has asserted that it may be necessary to amend the Commission's rules that require carriers to offer customer-premises equipment ("CPE") on an unregulated, unbundled basis.⁴ According to AT&T, the local exchange carriers' inability to offer set-top converters on a tariffed basis, as part of video dialtone service, "could affect the potential viability of any video dialtone service utilizing digital technology."⁵ History and the video dialtone applications now before the Commission contradict AT&T's unsubstantiated claim.

The Commission's rules requiring the unbundling and detariffing of CPE have produced a highly competitive marketplace for CPE. The public has reaped the benefits of competition in the form of lower prices, higher quality, and innovative functionality. There is no reason to believe that these rules will produce different results in the market for video dialtone CPE. Permitting the carriers to bundle CPE with video dialtone service would also work at cross purposes with the Commission's rules and policies in the Cable Compatibility proceeding.⁶ In that proceeding, the Commission is creating an interface between consumer electronics and cable television that will permit the competitive provisioning of functionality currently contained in set-top converters.⁷ It would be inconsistent (and therefore arbitrary and

⁴ AT&T Corp. Comments at 5 n.2.

⁵ *Id.*

⁶ ET Docket No. 93-7.

⁷ *See Implementation of Section 17 of the Cable Television Consumer Protection and Competition Act of 1992*, First Report and Order, 9 FCC Rcd 1981, 1988-89 (1994).

capricious) for the Commission to move from a non-competitive to a competitive marketplace in the provision of set-top boxes for cable service, while doing the exact opposite for video dialtone.

Moreover, none of the carriers planning to offer video dialtone service has proposed, or suggested a need, to bundle set-top converters with their services. Nor has any carrier requested a waiver of the Commission's unbundling rules to permit such bundling.⁸ If the carriers have concluded that video dialtone service can be offered without bundled set-top converters, there is no reason why the Commission's rules should be changed. AT&T has certainly not offered any justification for such a change, and its proposal should therefore be rejected.

⁸ Bell Atlantic has requested a waiver for ADSL equipment located on customer premises; however, the proposed waiver does not include set-top converters.

CONCLUSION

For all of the reasons set forth above, EIA/CEG urges the Commission not to require the digital transmission of video dialtone. In addition, the Commission should not alter its rules requiring the unbundling of CPE and video dialtone service.

Respectfully submitted,

CONSUMER ELECTRONICS GROUP
ELECTRONIC INDUSTRIES ASSOCIATION

By: Barbara N. McLennan per dte
Barbara N. McLennan
Staff Vice President
Technology Policy

By: George A. Hanover per dte
George A. Hanover
Staff Vice President
Engineering

2001 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 457-4900

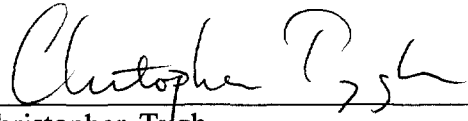
Of Counsel:

Joseph P. Markoski
Jeffrey A. Campbell
Squire, Sanders & Dempsey
1201 Pennsylvania Avenue, N.W.
Post Office Box 407
Washington, D.C. 20044
(202) 626-6600

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CERTIFICATE OF SERVICE

I, Christopher Tygh, do hereby certify that copies of the foregoing Reply of the Consumer Electronics Group of the Electronics Industry Association, in Docket No. 87-266 and RM-8221, were sent via first class mail, postage paid, to the following on this 17th day of January, 1995:



Christopher Tygh

Mark C. Rosenblum
Robert J. McKee
AT&T
Room 3244J1
295 North Maple Avenue
Basking Ridge, NJ 07920

Jeff Treeman
Kim Koontz Bayliss
United Video, UVSG Company
One Technology Plaza
7140 South Lewis Avenue
Tulsa, OK 74136

Lawrence W. Secrest, III
Philip V. Permut
Peter D. Ross
Rosemary C. Harold
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, DC 20006

Alan J. Gardner
Jerry Yanowitz
Jeffrey Sinsheimer
California Cable Television
Association
4341 Piedmont Avenue
P.O. Box 11080
Oakland, CA 94611

Frank W. Lloyd
Kecia Boney
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Suite 900
Washington, D.C. 20004

Frank W. Lloyd
Kecia Boney
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, NW
Suite 900
Washington, D.C. 20004

Thomas K. Steel, Jr.
Vice President and
General Counsel
New England Cable
Television Association
100 Grandview Road, Suite 201
Braintree, MA 02184

Sherwin Grossman
President
Community Broadcasters
Association
c/o Irwin & Campbell, P.C.
1320-18th Street, N.W., Suite 400
Washington, DC 20036

Bradley Stillman
Consumer Federation of America
1424 16th Street, N.W.
Washington, DC 20036

Jill Lesser
Civic Media Project of
People For the American Way
and Media Access Project
2000 M Street, N.W.
Washington, DC 20036

Angela Campbell
Ilene Penn
Institute for Public Representation
Georgetown University Law Center
400 New Jersey Avenue, N.W.
Washington, DC 20001

Andrew Jay Schwartzman
Media Access Project
2000 M Street, N.W.
Washington, DC 20036

Daryl L. Avery
Josephine S. Simmons
Public Service Commission of the
District of Columbia
450 Fifth Street, N.W.
Washington, DC 20001

Henry Rivera
Ginsburg, Feldman and Bress
1250 Connecticut Avenue, N.W.
Washington, DC 20036

Rodney L. Joyce
Ginsburg, Feldman and Bress
1250 Connecticut Avenue, N.W.
Washington, DC 20036

Madelyn M. Dematteo
Alfred J. Brunetti
The Southern New England
Telephone Company
227 Church Street
New Haven, CT 06506

Paul Glist
John Davidson Thomas
Cole, Raywid & Braverman, L.L.P.
1919 Pennsylvania Avenue, N.W.
Suite 200
Washington, DC 20006

Marilyn Mohrman-Gillis
Lonna Thompson
The Association of America's
Public Television Stations
1350 Connecticut Avenue, N.W.
Suite 200
Washington, DC 20006

Jonathan D. Blake
John duffy
Alane C. Weixel
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, DC 20044-7566

Henry L. Baumann
Jack N. Goodman
Terry L. Etter
National Association of
Broadcasters
1771 N Street, N.W.
Washington, DC 20036

Norman M. Sinel
Stephanie M. Phillipps
William E. Cook, Jr.
Arnold & Porter
1200 New Hampshire Avenue, N.W.
Washington, DC 20036

John D. Seiver
T. Scott Thompson
Cole, Raywid & Braverman, L.L.P.
1919 Pennsylvania Avenue, N.W.
Suite 200
Washington, DC 20006

Howard J. Symons
Christopher J. Harvie
Tara M. Corvo
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
701 Pennsylvania Avenue, N.W.
Washington, DC 20004

Daniel L. Brenner
Neal M. Goldberg
David L. Nicoll
The National Cable Television
Association, Inc.
1724 Massachusetts Avenue, N.W.
Washington, DC 20036

Ward W. Wueste, Jr., HQE03J43
John F. Raposa, HQE03J27
GTE Service Corporation
P.O. Box 152092
Irving, TX 75015-2092

Gail L. Polivy
1850 M Street, N.W.
Suite 1200
Washington, DC 20036

James D. Ellis
Paula J. Fulks
Southwestern Bell Corporation
175 E. Houston
Room 1212
San Antonio, TX 78217

Jeffrey S. Hops, Esq.
Direct, Government Relations
Alliance for community Media
666 11th Street, N.W.
Suite 806
Washington, DC 20001

Herbert E. Marks
Jonathan Jacob Nadler
Independent Data Communications
Manufacturers Association, Inc.
Squire, Sanders & Dempsey
1201 Pennsylvania Avenue, N.W.
Washington, DC 20044

Herbert E. Marks
Jeffrey A. Campbell
Compaq Computer Corporation
Squire, Sanders & Dempsey
1201 Pennsylvania Avenue, N.W.
Washington, DC 20044